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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)	
)	
Number Portability Query Services)	CC Docket No. 98-14
)	
Ameritech Tariff F.C.C. No. 2)	CCB/CPD 97-46
Transmittal Nos. 1123, 1130)	
)	
Bell Atlantic Tariff F.C.C. No. 1)	CCB/CPD 97-52
Transmittal No. 1009)	
)	
Southwestern Bell Tariff F.C.C. No. 73)	CCB/CPD 97-64
Transmittal No. 2680)	
)	
Pacific Bell Tariff F.C.C. No. 128)	CCB/CPD 97-65
Transmittal No. 1962)	
)	

MCI COMMENTS ON DIRECT CASES

I. Introduction

MCI Telecommunications Corporation (MCI), pursuant to the Designation Order,¹ hereby submits comments on the Direct Cases filed by Ameritech, Bell Atlantic, Southwestern Bell, and Pacific Bell in the above-captioned docket. Because the ILECs' direct cases provide little or no additional cost support beyond that already provided with the tariff filings, their LNP query service rates are insufficiently justified and therefore unlawful.

¹In the Matter of Number Portability Query Services, Order Designating Issues for Investigation, CC Docket No. 98-14, rel. January 30, 1998 (Designation Order).

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II. The LECs' Query Rates Are Unlawful

The LECs' LNP query service rates are insufficiently justified and therefore unlawful. Both Southwestern Bell and Pacific Bell have refused to comply with the Designation Order's information request, and have therefore failed to satisfy their burden of proof under Section 204(a) of the Communications Act. Ameritech and Bell Atlantic have submitted a general description of their rate development but have provided almost no additional cost detail to supplement the cost support provided with their tariff filings. It is therefore still true that "Ameritech and Bell Atlantic have not provided a sufficiently detailed explanation of the calculation of their proposed rates in relation to their costs . . . to permit a full assessment of the reasonableness of the proposed rates."² Accordingly, Ameritech and Bell Atlantic, like Southwestern Bell and Pacific Bell, have failed to demonstrate that their rates are just and reasonable.

While it is clear that the LECs' LNP query rates are insufficiently justified and therefore unlawful, there may be insufficient cost information in the record for the Commission to make a permanent rate prescription at this time. If the Commission does not wish to require the LECs to remove the query service from their tariffs, it could adopt an interim prescription that is subject to two-way adjustment when a final order is adopted in this investigation. This is the approach that the Commission adopted when it

²In the Matter of Ameritech to Establish a New Access Tariff Service and Rate Elements Pursuant to Part 69 of the Commission's Rules, Memorandum Opinion and Order, CCB/CPD 97-46, rel. Oct. 30, 1997 at ¶18 (Ameritech and Bell Atlantic Suspension Order).

found that the ILECs' expanded interconnection rates were insufficiently justified and therefore unlawful, but lacked sufficient information to make a permanent prescription.³

Furthermore, the Commission should reiterate that, once it releases the cost recovery order in the LNP rulemaking, the LECs' LNP query rates will be required to conform to the requirements of that order. When it granted Ameritech, Bell Atlantic, Southwestern Bell, and Pacific Bell's petitions to establish their LNP query services, the Commission stated that "[t]he grant of these petitions . . . will be subject to the Commission's determinations in CC Docket No. 95-116 regarding the mechanisms by which incumbent LECs should be permitted to recover their number portability costs, the jurisdictional nature of number portability costs, and the extent to which incumbent LECs may establish query charges may establish query charges of the types proposed. . . ."⁴

The Commission's LNP cost recovery order must ensure that the query service bears an appropriate portion of the overall costs of implementing local number portability. As Ameritech observes, the LECs' query service is, to a certain extent, a competitive service.⁵ Consequently, the Commission needs to ensure that the LECs do

³In the Matter of Local Exchange Carriers' Rates, Terms and Conditions for Expanded Interconnection for Special Access, First Report and Order, 8 FCC Rcd 8344, 8360-8364 (1993).

⁴In the Matter of Petition of Southwestern Bell Telephone Company Under Section 69.4(g)(1)(ii) of the Commission's Rules for Establishment of New Service Rate Elements, Memorandum Opinion and Order, CCB/CPD 97-64, rel. Dec. 30, 1997 at ¶9. See also Ameritech and Bell Atlantic Suspension Order at ¶17.

⁵Ameritech Direct Case at 11.

not cross-subsidize their query service by understating the costs attributable to the query service and overstating the costs to be recovered through any additional recovery mechanisms the Commission may specify in the cost recovery order.

Ameritech recognizes that if costs common to both the query service and LNP service are not appropriately allocated to the query service, “they will remain as direct costs of LNP and will inflate the amount that will be recovered from end users through the LNP competitively-neutral cost recovery mechanism.”⁶ However, it is impossible to determine from Ameritech’s tariff cost support or direct case whether Ameritech has appropriately apportioned costs to the query service. Ameritech does not explain why it believes that “most costs [of LNP] are not used to provide or bill the Query Service.”⁷ Nor does Ameritech enumerate which categories of LNP costs it views as shared between the query service and LNP generally and which categories of LNP costs it does not view as shared.

III. Most SS7, OSS, and Billing Costs Are Not Directly Related to LNP

In the Designation Order, the Commission asks “whether costs such as those incurred to modify SS7, OSS, and billing systems are costs not directly related to providing number portability, and therefore not properly included in query charges.”⁸ Both Ameritech and Bell Atlantic assert that these types of costs are appropriately

⁶Id. at 7.

⁷Id. at 6.

⁸Designation Order at ¶9.

included as a cost of their query services and, by implication, of LNP generally. Bell Atlantic, for example, contends that the SS7, OSS, and billing costs included in its rate development are "Category 2 costs,"⁹ while Ameritech contends that it has included only SS7, OSS, and billing costs "to the extent they were necessary for the provision of the Query Service."¹⁰

It is apparent, however, that the LECs have included costs that are not directly related to LNP. Ameritech, for example, has included the costs of upgraded STPs, upgraded SSP-STP links, and upgraded SS7 monitoring. Because these SS7 components are used for all Ameritech services, the upgrade costs should be considered part of a "general network upgrade" and not "directly related" to LNP.¹¹ The only SS7 costs that are directly related to LNP are the costs of the new LNP Service Management System (SMS), the new SCPs required to store number portability information, and the new links required to connect STPs and the LNP SMS to the LNP SCPs. This treatment of

⁹Bell Atlantic Direct Case at 2.

¹⁰Ameritech Direct Case at 5.

¹¹In the Matter of Telephone Number Portability, First Report and Order and Further Notice of Proposed Rulemaking, CC Docket No. 95-116, rel. July 2, 1996 at ¶227 ("Carrier-specific costs that are not directly related to the provision of number portability include, for example, the costs of upgrading SS7 capabilities or adding intelligent network (IN) or advanced intelligent network (AIN) capabilities. These costs are associated with the provision of a wide variety of services unrelated to the provision of number portability, such as CLASS features. Provision of these services will facilitate the ability of incumbent carriers to compete with the offerings of new entrants.")

SS7 costs is consistent with the Commission's findings in the 800 number portability proceeding.¹²

Similarly, most of the OSS costs included by Bell Atlantic and Ameritech are not directly related to the provision of LNP. Bell Atlantic, for example, justifies the inclusion of the costs of modifying provisioning and billing systems on the grounds that "NPA-NXX can no longer be used" to route service requests or to bill a call.¹³ However, the costs of upgrading legacy ordering, provisioning, and billing OSS are not "directly related" to the basic task of querying the number portability database and delivering the call to its destination. The fact that the ILECs' legacy systems have to be upgraded to, among other things, recognize a competitive environment in which a telephone number is not necessarily associated with a particular network element does not mean that these costs are "directly related" to the provision of number portability. To the contrary, these modifications represent general network upgrades.

Bell Atlantic has also included other inappropriate categories of costs. It includes, for example, \$58.3 million in "SSP hardware" costs.¹⁴ Because the SSP is the SS7 component of end office and tandem switches, it appears that this category includes switch upgrade costs and, possibly, the costs of replacing switches. Switch processor upgrades should be considered general network upgrades because upgraded switches are

¹²800 Data Base Rate Structure Order, 8 FCC Rcd 907, 911 ("directly related" costs are the costs associated with SCPs, the SMS, links between SCPs and the SMS, and links between the STPs and SCPs).

¹³Bell Atlantic Direct Case at 4.

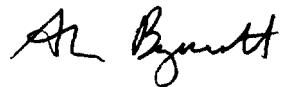
¹⁴Bell Atlantic Direct Case, Attachment.

used in the provision of the full range of ILEC services. The claimed costs are therefore not directly related to the provision of LNP and should be excluded.

IV. Conclusion

For the reasons stated above, MCI recommends that the Commission find the LECs' query charges to be unlawful.

Respectfully submitted,
MCI TELECOMMUNICATIONS
CORPORATION


A handwritten signature in black ink, appearing to read "Alan Buzacott".

Alan Buzacott
Regulatory Analyst
1801 Pennsylvania Ave., NW
Washington, DC 20006
(202) 887-3204

February 20, 1998

STATEMENT OF VERIFICATION

I have read the foregoing, and to the best of my knowledge, information, and belief there is good ground to support it, and that it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on February 20, 1998.



Alan Buzacott
Regulatory Analyst
1801 Pennsylvania Ave. NW
Washington, D.C. 20006
(202) 887-3204

CERTIFICATE OF SERVICE

I, John E. Ferguson III, do hereby certify that copies of the foregoing Comments of MCI on Direct Cases were sent, on this 20th day of February, 1998, via first-class mail, postage pre-paid, to the following:

International Transcription Service**
1919 M Street, NW
Washington, DC 20554

Richard Metzger**
Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W.
Room 500
Washington, D.C. 20554

Richard Welch**
Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W.
Room 500
Washington, D.C. 20554

James Schlichting**
Federal Communications Commission
1919 M Street, N.W.
Room 518
Washington, DC 20554

Jane Jackson**
Federal Communications Commission
1919 M Street, N.W.
Room 518
Washington, DC 20554

2 copies:
Competitive Pricing Division**
Common Carrier Bureau
1919 M Street, N.W.
Room 518
Washington, DC 20554

Larry A. Peck
Counsel for Ameritech
2000 West Ameritech Center Drive
Room 4H86
Hoffman Estates, IL 60196-1025

John M. Goodman
Bell Atlantic
1300 I Street, N.W.
Washington, D.C. 20005

Robert M. Lynch
Durward D. Dupre
David F. Brown
SWBT
175 E. Houston, Room 4-C-90
San Antonio, TX 78205

Nancy C. Woolf
Pacific Bell
140 New Montgomery Street
San Francisco, CA 94105

****HAND DELIVERED****


John E. Ferguson III